Prince Edward Island
Budget Address 2011

Moving Forward Together

Presented by

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ONE ISLAND COMMUNITY ONE ISLAND FUTURE

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Introduction

Madame Speaker, in October 2007, I stood in this House to deliver our Government's first budget – and to build a bridge between the past and the new directions we proposed for Prince Edward Island.

In that budget, we began to respond to the unmet needs and economic challenges facing our Province. Our health care system was struggling to deliver needed services after a decade of underinvestment. Our education system was burdened with the structures and systems of the past. Our economy faced major challenges in our core industries of agriculture, tourism, and fisheries. Budget 2007 began the long work of investing in needed changes to health, to education, and to economic development. In Government's first Speech from the Throne in April 2008 – *One Island Community, One Island Future* – we built on and advanced that work.

Only six months later, in October 2008, the world fell into a global recession – the sharpest in over half a century.

Our plan to strengthen and rebuild PEI was critical in meeting that threat, Madame Speaker. In November 2008, we moved forward faster than most other governments in Canada, and further than any government in PEI's history – with a $510 million five-year capital stimulus plan to rebuild our roads, our schools, our hospitals, and our manors. That plan and other measures by Government played a critical role in helping our Island to weather the recession better than almost every other jurisdiction in North America.

Over the past four years, working together with Islanders, we have built a stronger and more sustainable society and economy. We have addressed unmet needs and begun to renew our key services. We have strengthened our industries, and focused on the fundamentals of building a more competitive economy – through initiatives such as the provision of high speed Internet across PEI, improved transportation infrastructure, and lower electricity costs through the *PEI Energy Accord*. Those efforts have been linked and guided by one consistent theme: to act as One Island Community, united and purposeful, facing the future together with pride and confidence.

Moving Forward Together
... Fulfilling Our Commitments

Madame Speaker, this is our fifth operating Budget since coming to office. I am pleased to say that, in each and every successive Budget, we have departed from the ways of the past, and ensured that the final deficit number came in below the number originally projected. This past fiscal year ending March 31, 2011 is no exception, as we finished the year at a forecast deficit of $53.7 million, slightly below the budget of $54.9 million.

As a Government we are proud that we always meet or exceed our projected targets – and that we provide forecasts to Islanders that they know they can trust. And we are equally proud, Madame Speaker, that for the first time in Prince Edward Island's history, we will provide Islanders with proof of that trust in advance of Election Day. In August, the Auditor General will report on the final results for the fiscal year 2010-2011, providing full and complete transparency on our Province's fiscal situation.

Madame Speaker, as we move forward, we remain committed to achieving a balanced budget in 2014.

Early in our mandate, we needed to invest to meet the needs of Islanders, to buffer our Province from the global recession, and to build for tomorrow. Like all other governments, our finances were directly affected by the recession, resulting in both lower revenues and increased costs – creating a deficits which peaked in 2009-2010 at $74 million.

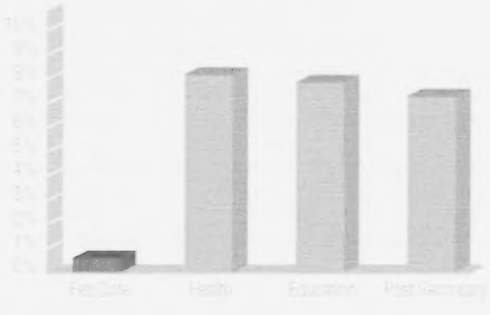
Our challenges, Madame Speaker, are being compounded by unilateral and, we believe, unfair reductions in core federal transfers, notably Equalization. The Federal Government provides three fiscal transfers to fulfill the key constitutional obligation of equality of services for Islanders and all Canadians – Equalization, the Canada Health Transfer, and the Canada Social Transfer.

Both last year and again this coming year, these core federal transfers have essentially remained flat. Federal measures taken in 2009, including an artificial ceiling on the Equalization program, are denying our Province any year-over-year increase in revenues, costing us over $51 million to date.

Section 36 of the Canadian Constitution provides for equalization to ensure that all Canadian provinces are able to provide reasonably comparable services in the areas of health, education, and social programs, at reasonably comparable levels of taxation. These transfers are essential, Madame Speaker, to our Island.

Work has begun to renew the federal core transfer arrangements that expire in March 2014 – and Government will press for a transfer system that honours this Constitutional commitment.

Two Year Total: Federal Core Transfers vs. Investment in Key Services, 2010 and 2011



Madame Speaker, we ask all members of this House to support us in calling on the Federal Government to fully recognize its constitutional obligations.

Despite these significant challenges, Madame Speaker, we have reduced the deficit by approximately $20 million in the year just ended – and we will continue to systematically reduce the size of our deficit.

This fiscal year, overall Federal revenues are expected to drop by $14.2 million, while provincial revenues are forecast to yield an increase of $42.7 million – for net revenue growth of $28.5 million or 1.9 per cent. Our expenditures will grow by $15 million, or 1 per cent, for a reduced deficit of $42 million.

We will continue to build a strong and sustainable economy

While revenues are forecast to grow by almost 2 per cent this year, we will hold expenditure growth to 1 per cent

Despite shortfalls in federal transfers, we will reduce the deficit to $42 million this fiscal year

Moving Forward Together ... On Learning

Madame Speaker, in moving to restore fiscal balance, we will continue to invest in our foremost priorities of education and health.

We know that Islanders want the best possible future for their children – and that in the long term, that future depends most of all on our education system from the early years onwards. To ensure this, Government has invested strongly in education – transforming early learning, strengthening our school system, and enhancing access to post-secondary education and training.

In the year ahead, we remain committed to that priority. We will invest to continue building our Early Years system ... to enhance learning outcomes in our schools ... and to increase higher education opportunities for our youth and our Island workforce.

Early Years

In April 2008, the Speech from the Throne announced that kindergarten would become part of the public school system. In September 2010, through sound planning and outstanding collaboration, our public schools successfully welcomed 1,400 children to a full-day kindergarten program delivered by 112 classroom teachers and over twenty specialist teachers.

To support this achievement, Government has more than tripled funding for kindergarten, increasing it from $3.6 million in 2008 to over $11 million in the coming year.

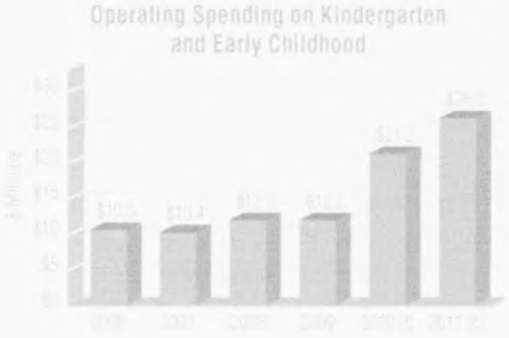
The past year has also seen a transformation of early childhood learning in Prince Edward Island – to a system that focuses on learning for children ... enhances access and affordability for families ... and ensures training, a career, and better pay for early childhood educators.

In May 2010, Government announced the *Preschool Excellence Initiative*. We recognized the impact that the removal of kindergarten would have on the early childhood sector – and we went beyond band-aids and ad hoc measures to create a coherent, consistent, high quality system across our One Island Community.

Since then, 40 Early Years Centres have begun operations, offering over 1,340 spaces to Island children. Within four months, spaces for infants increased by 72 per cent, and more are being developed. Almost 120 early childhood workers are taking part in their first level of training at Holland College and the Collège Acadie. Parents are paying consistent, stable fees across the Province, making early learning and care more affordable for our young families.

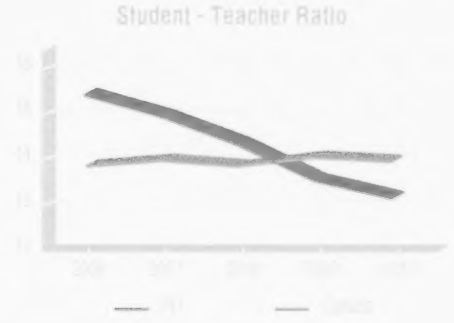
In the coming year, Madame Speaker, Government will increase early childhood spending by $2.7 million or a further 31%, to $11.3 million. That funding will provide full annual funding to the centres that have opened in the past months, and enable a further six Early Years Centres to open, providing access in every region of our Province, from Murray River to DeBlois.

It will support continued work to develop an early childhood learning framework to ensure high quality outcomes throughout the system – as well as further training for early childhood workers. In addition, the Child Care Subsidy Program will continue to support access to early learning for children in low income families. By this time next year, Madame Speaker, we anticipate that over 1,800 full-time spaces will be available in Early Years Centres throughout our Province – increasing access for children and preparing them for success in kindergarten, school, and life.



Schools

To build on that opportunity, Madame Speaker, we have invested in our public school system. We have maintained teacher numbers in the face of declining enrolment. Since 2007, this commitment has dramatically improved PEI's student-teacher ratio compared to the national average. Those measures, together with a concerted focus on early literacy, are bringing about substantial improvements in the reading and writing skills of our primary students – and in the coming years we will extend that focus to improving outcomes in the intermediate and senior grades.



Government recognizes that schools face growing pressures in meeting the diverse needs of children. We have invested strongly in resources to support children with special needs in our school – including an increase in our complement of educational assistants from 264 in 2007 to 342 today.

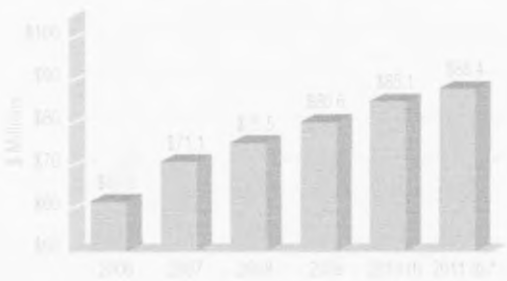
Higher Learning

Taken together, Madame Speaker, our measures in early childhood and public education are building a stronger foundation for lifelong success for our children. We know that for them to make the most of that start, they must also be able to continue their education – through access to higher learning that opens a world of opportunity for them and for our society.

To make that possible, we have invested strongly in post-secondary education – increasing funding by $17 million or 24 per cent, from $71 million in 2007 to over $88 million in the coming year. Government is providing $10.5 million as our share of the Knowledge Infrastructure Program to renew and expand our post-secondary facilities.

I am pleased to announce, Madame Speaker, that Government is continuing its commitment to higher learning. In the coming year, we will increase the operating grant to our post-secondary institutions by 3 per cent.

Post-Secondary Funding



That funding has literally opened new doors for Islanders across this Province – doors to new learning programs and new facilities.

At UPEI, the accelerated nursing program will soon be housed in the new Nursing building ... enrolment is climbing in graduate programs such as the new Executive style MBA ... and the new kinesiology program will offer up to one hundred Island youth another opportunity for learning here at home.

At Holland College, access is increasing throughout the Island. In Georgetown, seats have been added to all three trades programs – plumbing, welding and steamfitting. In Charlottetown, the new $17 million Centre for Applied Sciences and Technology is nearing completion, and will double the number of students served by the College's programs in bioscience, environmental science and wildlife conservation. The new Centre will also enable more seats in practical nursing and paramedicine, and will allow the College to offer new courses in heritage retrofitting and renewable energy technology.

Opportunities for higher learning in Western Prince Edward Island are also expanding, Madame Speaker. In the coming year, Government will assist Holland College with $1.1 million in funding for operating and financing costs at the new West Prince Regional Learning Centre in Alberton, slated to open this September.

These investments are going far to make higher learning available to Islanders – but it also needs to be affordable. When our Government came to office, we were concerned that many students were carrying a rising burden of debt ... and that financial barriers to higher learning were undermining equity for Islanders.

To address those concerns, Government established the George Coles Bursary, offering $2,000 to Island youth enrolling in their first year at the University of Prince Edward Island, and we increased the Island Student Award offering support beyond the first year of university. Through the Island Skills Award, we ensured comparable support to students attending our colleges. Since 2007, these programs have provided almost 12,000 awards to Island students to support their participation in higher learning.

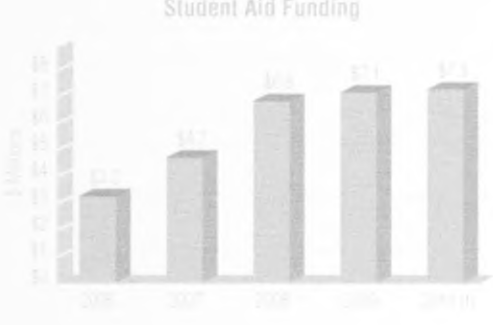
Overall, Madame Speaker, Government has increased its funding for student financial aid by 55 per cent, from $4.7 million in 2007, to $7.3 million last year. In the coming year, we will maintain our support at this much higher level.

The future of our province is fundamentally tied to learning in early childhood, the school years, in higher education and throughout life

We will maintain our steadfast focus on improving education

Our plan for Early Years Centres will come to full implementation this year - providing all Island families with access to the same high quality services at the same cost - in urban and rural communities

We will continue our progress to increase enrolment in post-secondary education and training while reducing the cost for Island families



In 2009, Government assumed responsibility for the delivery of the $30 million Labour Market Development Agreement. In the past year, almost 1,300 Islanders received support under Skills PEI to enrol in post-secondary programs, to participate in apprenticeship training, or to complete their GED and prepare for post-secondary enrolment.

Islanders have responded to those opportunities, Madame Speaker. Since 2007, enrolment at UPEI and Holland College has risen by one thousand students or almost 17 per cent – going from six thousand to seven thousand – and the average annual student loan has dropped by almost $2,000. Those gains translate into a brighter future for our youth – our leaders, professionals, skilled workers, businesspeople, citizens and parents of tomorrow.

Moving Forward Together
... Towards Health and Wellness

When we invest in learning, Madame Speaker, we are investing in our future – but we are mindful that we must also respond to the needs of today to improve the health and wellbeing of Islanders.

As our population ages, high quality health care services are increasingly important to Islanders – and Government has responded to that priority throughout our term of office. We have invested strongly to increase physicians and other health human resources ... to expand community and home-based care ... to reduce wait times ... and to enhance our facilities. Taken together, our changes to the health care system are designed to ensure that all Islanders have access to the care they need, when they need it, close to home – today, tomorrow, and into the future.

Physicians

Access to a family doctor is at the heart of health care for Islanders, Madame Speaker, and when we came to office in 2007, Islanders were very concerned that their access to physician care fell far short of their needs. We acted quickly to address that concern – strongly increasing our physician recruitment efforts, adding medical seats at Memorial University, and founding a Residency Program to allow young doctors to complete their training here. Those and other efforts have increased the complement of physicians in our Province to an all-time high of 218 as of this March – up more than 10 per cent from the 196 in 2007.

These measures have enabled us to not only increase our complement of family physicians, Madame Speaker, but also to enhance Islanders' access to specialist care. We have increased specialist capacity in the areas of nephrology, pathology, internal medicine, orthopaedics, palliative care, and radiology. This year, further funding of over $1.2 million will be added to the health care budget to support these enhanced services.

Taken together, these enhancements to physician services have increased our investment from $59 million in 2007 to $88 million in the coming year – an increase of almost $30 million or more than 50 per cent since we assumed office.

After addressing these critical needs, Madame Speaker, Government took stock of the situation in the health care system, and determined that a major change in direction was needed to ensure that it meets Islanders' needs more fully today and for the long term. In April 2008, the Speech from the Throne pledged to make that shift – to "build a sustainable, integrated health

care system, one that shifts emphasis and culture towards wellness and primary care, placing patients, the community as a whole and sustainability above all considerations."

Investing in Health Care

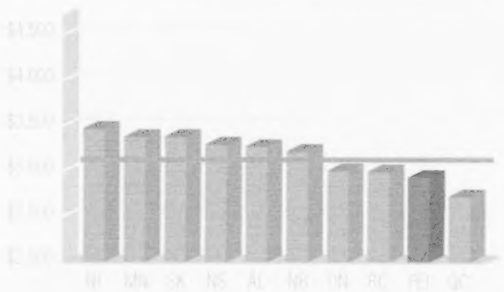
Those changes are complex, and require major investments to build new systems for tomorrow while maintaining existing services to Islanders. We have made those investments, Madame Speaker. In 2007, PEI ranked second last among Canadian provinces in its operating spending on health care, at just over $2,900 per capita. By 2010, our investment in Islanders' health care had increased by 25 per cent or over $700 per capita – to $3,655, putting us above the national average of $3,500. Furthermore, we have invested strongly in renewing our health facilities, tripling capital spending from $119 per capita in 2007 to $358 in 2010.

In addition to our investments in physicians, Madame Speaker, much of this increase in funding has helped to build new capacity to provide care in the community and in the home.

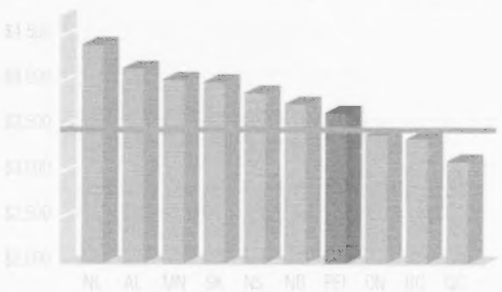
Primary Health Care

Our move to One Island Health System is founded on a renewal and expansion of primary health care – the first point of contact between Islanders and health care providers. Five primary care networks are being established throughout the Province to ensure that all Islanders are within 30 kilometres of a primary health care site and have access to a family physician. This past year, $500,000 was invested in primary care centres and nurse practitioners – and in the coming year, this investment will increase to $1.5 million, including our commitment to a new health centre in Cornwall, and a satellite health centre in Murray River.

Per Capita Health Operating Expenditures, 2007-08



Per Capita Health Operating Expenditures, 2010-11



Drug Programs

With the rising incidence of many chronic illnesses, pharmaceuticals are playing a growing role in helping people to manage and improve their health. When we came to office, Madame Speaker, we faced significant challenges in our drug programs.

Since then, Government has dramatically improved access to needed drugs – increasing spending by 34 per cent from 2007 to 2010. This investment has enabled us to add over 120 drugs to the formulary, including ten medications used in the treatment of cancer, and to reduce the seniors co-pay by 25 per cent.

In the coming year, the drug program budget will be $34.7 million — benefiting from savings as a result of generic drugs. We will continue to enhance our drug programs, Madame Speaker, including the addition of 25 more drugs to the formulary.

Home Care

Madame Speaker, most Islanders with health conditions prefer to remain at home as long as possible. This not only serves Islanders better, it also makes our health care system more sustainable. To enable this, we needed to invest in our home care programs, and we are doing so. I am pleased to report, Madame Speaker, that since 2007, we have increased home care spending by 70 per cent. In the coming year, we have budgeted $18.7 million, up 17 per cent from our expenditures in 2010. This includes $600,000 for a pilot project to provide home care to frail seniors.

In addition, Madame Speaker, Government has worked to enhance palliative care for Islanders — through the Palliative Home Care Drug Pilot, the expansion of specialist physician capacity, and the planned construction of the new Palliative Care Centre.

Hospitals

Madame Speaker, these measures are helping us to ensure that our hospital beds and long-term care beds are there for Islanders who need them, when they need them. And to meet that goal, Government has also invested in the expansion and modernization of our health care facilities. At the Queen Elizabeth Hospital, the new Emergency Room opened last June, the Stroke Care unit is in operation, and construction is progressing well on the new ambulatory care centre, slated to open in Spring 2012. Later this year, construction will commence on a new dialysis unit at the Prince County Hospital, also targeted to open in Spring 2012.

We will continue to enhance our hospitals, with over $2 million in further investments in the coming year, Madame Speaker. At the Queen Elizabeth Hospital, $400,000 will be provided for expansion of same day treatment and ambulatory care. At the Prince County Hospital, $286,000 will be provided to enhance ambulatory care and cancer treatment. A total of $1.2 million will be provided to further enhance emergency care at our two major hospitals. And at the Kings County Memorial Hospital in Montague, through our Capital Budget, Government will support the outstanding fundraising efforts of the community by providing the remaining $165,000 needed to purchase a new half-million dollar X-ray unit.

Stroke Strategy

Madame Speaker, in 2009, Government was proud to provide support to launch the Provincial Stroke Strategy with a $1.2 million investment in a new Stroke Care Unit at the Queen Elizabeth Hospital. This year, we will continue to implement the strategy with funding for ambulatory and rehabilitation services to Islanders recovering from stroke.

Ambulances

To ensure that Islanders are able to access high quality emergency care as rapidly as possible, Government has invested in our ambulance system. We have eliminated user fees for out-of-province transports for all Islanders, as well as in-province emergency ambulance fees for seniors. We have expanded coverage in the Kings County, Summerside, and New Glasgow areas. To continue improving services, additional funding of $300,000 will be provided this year to increase hours of coverage in the Kings County and West Prince areas.

Long-term Care

For Islanders whose health requires higher level of support, long-term care is a vital component of our health care system. Government is renewing both our facilities and the approach to care within those facilities. The new Colville and Maplewood Manors are slated to open this fall, Summerset in 2012, and the Prince Edward

Home in 2013. Construction of a new Riverview Manor is also provided for in our Capital Plan. The manors are designed to provide a more homelike, comfortable setting for their residents, supported by best practices under the new model of care.

To meet the growing need for this high level of care, Madame Speaker, Government is complementing the expansion of home care and renewal of manors with an increase in the number of long-term care beds. In the coming year, $1.3 million will be provided to add 41 permanent beds to the long-term care system, taking the total number of beds province-wide to 1,052. The beds will be added primarily in Queens County to address rapidly rising demand, and to provide quicker access to needed beds.

Better Wait Times

Madame Speaker, these investments are already paying dividends to Islanders – abating demand pressures for hospital beds and reducing wait times for key services. The most recent national report on wait times, released in March, indicates steady improvement in the proportion of Islanders receiving key procedures within the targeted benchmark time. Prince Edward Island's wait times are the best in the Atlantic region with regard to hip replacement, knee replacement, and radiation therapy, and comparable in the areas of cataract surgery and hip fracture surgery. As well, our wait times for CT scans have dropped from ninety days to thirty and are the best of the five provinces reviewed in the report. Wait times for mammograms have been slashed from months to days through new equipment and resources, funded in partnership with the community. All those gains, Madame Speaker, spell better care and ultimately better health for Islanders – and we remain committed to delivering further improvements in the years to come, through our One Island Health System.

Moving Forward Together ... A Caring Society

Madame Speaker, it is increasingly understood that our social conditions influence our health, learning, and economic outcomes. We all benefit when the most vulnerable in our society have a better life, more access to opportunities, and greater inclusion. Prince Edward Island has long been a caring and close-knit society, and Government has reflected those values.

Incomes and Supports

To improve the incomes of over 3,000 Islanders earning minimum wage, Madame Speaker, Government has implemented six increases beginning in May 2008, taking minimum wage up 20 per cent, from $7.50 to $9 an hour. Three more increases are planned over the coming year, taking the wage to $10 an hour in April 2012.

Almost 6,000 Islanders currently receive support from the Social Assistance Program, Madame Speaker, many of whom have health conditions or disabilities that prevent them from engaging in employment. Since 2007 $5.6 million has been added to this program, including increases in benefit levels for food, shelter, and community care per diems.

In addition, Madame Speaker, I am pleased to say that effective April 1, the 'clawback' of the National Child Benefit has ended in Prince Edward Island.

The National Child Benefit will no longer be calculated as an income source for the purposes of determining eligibility for Social Assistance benefits. This measure represents a $750,000 investment in the coming year, and will assist almost 800 families to build a better life for their 1,600 children.

Disability Support

The almost 6000 Islanders assisted by the Social Assistance Program include over 500 low-income individuals, many of them seniors, whose ill health or disability require them to live in a community care facility and who cannot afford the full cost. Total funding in this area has increased from $5 million to slightly over $8 million, expanding support to almost 100 more Islanders than in 2007, and establishing standards of care and improved per diems under Government's first ever contract with community care providers.

The Disability Support Program benefits about 1,200 Islanders, through funding to enhance their quality of life and to support inclusion. In the coming year, this program's budget will rise to $11 million to address increases in utilization and to better meet the needs of Islanders with disabilities.

Affordable Housing

Safe and affordable housing contributes to the wellbeing of Island families and to community quality of life. Since 2007, Government has added 143 units of social housing across the Island, in partnership with the Federal Government, community groups, and businesses. In the coming

year, Government will construct a new 34-unit seniors housing building in Summerside at a cost of $4 million – the first publicly owned social housing development in our Province in over two decades.

To further enhance social housing, 120 new units will become available to low income seniors, families and persons with disabilities over the next twelve months, through the Canada-PEI Affordable Housing Agreements. As well, Government will provide a funding increase of $125,000 to our Family Housing Authorities to help maintain and improve the almost 500 family housing units across the Province.

Community Partners

Government works with a number of community based non-government partners to deliver a broad range of programs and services to vulnerable Islanders. I am pleased to announce, Madame Speaker, that in this budget Government will increase funding to these valued organizations by 1.7 per cent or more than $100,000.

We will ensure that all Islanders are within 30 kilometers of a primary care site and have access to a family physician

Prince Edward Island now invests an average of $3,655 per capita each year in health care - which is higher than the national average

A range of measures have been implemented to help Islanders become more financially secure, and to improve their standard of living and quality of life

Many programs have been strengthened to provide Islanders with greater security

Moving Forward Together ... Towards Sustainability

Madame Speaker, our health, our quality of life, and our economy ultimately depend on the quality and sustainability of our environment.

- We have worked with Islanders on many fronts to increase environmental stewardship and to protect and enhance our natural capital, including implementation of the recommendations of the *Report of the Commission on Nitrates in Groundwater* is well underway and significant progress is being made.

- We are working with landowners to help protect water quality, through the Alternative Land Use Services program and through changes to the *Lands Protection Act*. Funding to community watershed groups has been strongly increased in recognition of their leadership in shared stewardship and shared solutions.

- Investments in energy efficiency have helped over 5,000 Island households and businesses to reduce their energy consumption and costs, while reducing our greenhouse gas emissions and dependence on fossil fuels.

- We have begun the process of forest certification for all publicly owned lands in our Province, and are steadily adding to the area of environmentally sensitive land designated under the *Natural Areas Protection Act*.

Climate change

Climate change poses threats to all coastal region, and we in Prince Edward Island are especially vulnerable. Government is partnering with the other Atlantic Provinces in the Regional Adaptation Collaborative on Climate Change. This three-year program is identifying potential risks to coastlines, communities and drinking water supplies, and will receive additional funding of $100,000 in the coming year, to a total of over $400,000.

Public transit

Public transit provides savings and access to learning and job opportunities for Islanders while enhancing our environment. Government has made significant progress in expanding public transit, and I am pleased to announce, Madame Speaker, that in the coming year, $342,000 will be provided to enhance public transit in our capital area communities of Charlottetown, Stratford and Cornwall, and to operate the '7-5-3' transit line between Summerside and Charlottetown.

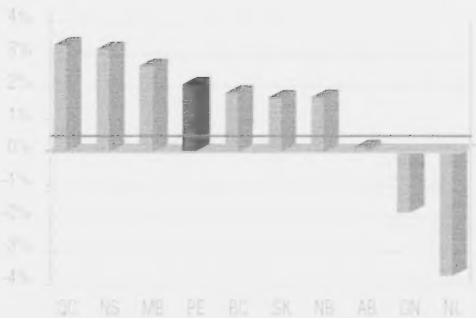
We are working together on many fronts - with Island home owners, businesses, land owners and watershed groups - to protect and enhance this land that Islanders love

Moving Forward Together
... Growing Our Economy

Madame Speaker, if we are to maintain our core priorities including education, health, and social programs, and be able to balance our books, it is essential that we grow a strong and prosperous economy. This is particularly so given recent restraint in core federal transfers.

Madame Speaker, the investments of our past budgets have gone far to protect Islanders from the worst of the recession. Our economic growth performance since 2007 compares well to that of other Canadian provinces, ranking fourth and exceeding the national average.

Net Cumulative GDP Growth 2007 - 2010



This growth is aptly demonstrated by our Capital Budget and Infrastructure programs. Our three-year stimulus plan sustained or created 4,400 jobs, generated $31 million in provincial revenues and grew the provincial GDP by $171 million. In the coming year, a further $137.6 million in combined spending will be invested in capital projects by Government along with our Federal and local partners. These actions will serve PEI well as we bridge to stronger economic growth led by our private sector.

Madame Speaker, employment has grown, rising from 69,300 in 2007 to 71,300 in 2010, a gain of 2,000 jobs. Labour income has grown even more strongly – rising from $2.3 billion in 2007 to $2.7 billion in 2010, a 17 per cent increase.

Much has been done; more is required.

Looking ahead, Madame Speaker, the coming year holds promise for further growth across all sectors of our economy, sustaining and creating opportunities and employment for Islanders.

New Opportunities for Prosperity

Our Island Prosperity Strategy identified four strategic sectors for growth – biosciences, aerospace, information technology, and renewable energy.

In the bioscience sector, almost one thousand Islanders are working at over forty companies and research centres, generating $77 million a year in sales. Our aerospace industry has grown to ten companies employing 900 Islanders, producing over $350 million in export sales. The information technology sector now comprises over one hundred companies and employs over 2,000 Islanders.

We will continue to focus in these areas. In the coming weeks Madame Speaker we will welcome our first private sector tenants to the new BioManufacturing Centre in the strategically important BioCommons, Island Abbey Foods, i.e. In response to increased demand and major partnerships, Island Abbey Foods, creator of the world's first 100 per cent pure honey drop, will expand into the BioCommons Research Park. After appearing on Dragons' Den and winning the 2010 Global Sial d'Or award for the best new food product in the world, this Island company is scaling up operations to share their 'sweet taste of success' with the world. In addition, the Centre will become home to TetragenX Agro – a provider of medicated, pre-mixed nutrition and health products for the animal health and pharmaceutical markets. We are currently witnessing significant interest among bioscience companies for the remaining space in the Centre, and further details will be released in the coming weeks.

Energy

The events of the past four years demonstrated, Madame Speaker, that Prince Edward Island must become stronger and more self-reliant in this era of rapid and complex change. We must reduce our reliance on costly, unreliable external sources of energy and develop a more affordable, secure supply to ensure the competitiveness of our Island businesses and to reduce the cost of living for all Islanders.

Our five-year PEI Energy Accord is an historic step toward this goal, Madame Speaker. In March, electricity rates dropped by an average of 14 per cent and will remain at that lower level this year and next - saving Islanders $50 million over the two years. In the following three years, rates will stabilize, ending unpredictable price spikes in monthly bills.

The Accord also takes action to ensure affordable, stable electricity pricing for Prince Edward Island over the long term. A PEI Energy Commission will be established to examine the key issues that affect a long term energy strategy for the Province. Further details will be announced in the near future.

The wind energy industry continues to grow and contribute to the PEI economy. Total electricity sales from wind energy produced by public and private wind farms were approximately $40 million in 2010.

Recognizing the value of this industry, and in keeping with our Wind Energy Strategy, the Energy Accord provides for an additional 40 megawatts of wind power – strengthening Prince Edward Island in its role as a world leader in the integration of wind power for domestic use.

Tourism

Through innovative collaborative partnerships and a focus on product development, our tourism sector continues to grow despite recessionary pressures, a ris-

ing Canadian dollar and stiff marketplace competition. Since 2007, revenues have grown by 3 per cent, and visitation by almost 6 per cent.

These innovations included a focus on PEI's high quality food products, and marketing campaigns which support both tourism and our resource industries, such as *Pack Your Appetite*. Marketing efforts such as *Regis and Kelly* have raised awareness of PEI in key national and international markets – while generating pride and confidence among Islanders.

These partnerships will continue and grow in the coming years – as set out in the tourism industry's new five year plan, *Strategy 2015: Momentum, Invention, and Mobilization*. We will look to build on our strengths and target growth markets.

The prospects for 2011 are bright. The year has had a strong start with a well attended Jack Frost Festival and the Scotties Tournament of Hearts. The East Coast Music Awards in April will bring further shoulder season visitation and activity to our Province. In July, PEI is honoured that Prince William and his new bride Kate have chosen PEI as their Eastern Canadian destination, bringing the eyes of the world upon us once again. The line-up for the Cavendish Beach Music Festival is already drawing strong bookings for campgrounds and hotels throughout central PEI. And cruise visitation is projected to reach new highs.

Looking further ahead, the $17 million Convention Centre will open in 2012, bringing a new level of opportunity to the industry, drawing a rich market of medium-sized meetings that are beyond our scope at present. Already, several thousand room-nights have been booked in anticipation of the Convention Centre's opening.

Madame Speaker, in 2014 PEI will celebrate the 150th anniversary of the Fathers of Confederation meeting. This will be a national celebration and we look forward to working closely with our federal partners to commemorate this important event. To this end, Madame Speaker, planning must now begin and in this budget we have allocated $600,000 to support these efforts. In the coming days, more details will be unveiled around the 150th celebration.

Agriculture

Our agricultural industry has also seen significant improvement since 2007, and with rising demand for food worldwide, we believe that prospects are bright for the longer term. Improved crop and livestock prices, good production conditions, and diversification into new higher value crops like oilseeds have resulted in increased sales and stronger overall returns for producers.

In 2007, total farm cash receipts were 383 million dollars, and net farm income was negative – a loss of over 20 million dollars. Total farm cash receipts have increased over the past four years, and for 2011, Ag-

riculture Canada is forecasting that total farm cash receipts will be in the range of $456 million, a record high, resulting in net farm income of $50 million.

Government will partner with industry to secure new markets, improve hog industry competitiveness, and increase value added processing of traditional and emerging products such as blueberries and honey.

Fisheries and Aquaculture

Madame Speaker, the recession had severe impacts on our fisheries and aquaculture sector. Low prices for lobster were compounded by declining catches in some regions. Our Five Point Plan for the lobster industry has helped them to take strong action towards sustainability in the face of difficult times. The Fishers Low Interest Loan Program assists almost 250 fishers with interest relief on $36 million worth of loans from the PEI Lending Agency – providing the industry with a vital breathing spell. In the coming year, the Low Interest Loan Program will be reviewed to ensure that it meets the needs of those fishers who are being hit hardest by low catch rates and low shore prices.

While prices and volumes have improved in 2010, we will need to continue our focus on working with industry and the Federal Government to ensure sustainability and to focus on new market opportunities.

The Province will continue to actively pursue new markets, and in the coming year in collaboration with industry partners, we will support a pilot project to ship branded live canner lobster to key markets in China.

Communities and Rural PEI

In January 2010, the release of the *Rural Action Plan* launched a new era of revitalization and renewal in rural Prince Edward Island. The plan outlined forty distinct actions – and thirty have been completed or are well underway. Plans are being developed to address the remaining ten actions.

These actions included the establishment of three Rural Action Centers and satellite offices to support business and community development in rural PEI.

Through our Island Community Fund we have invested $11 million to support 165 projects Island wide. These investments have leveraged close to $40 million in high quality, community based infrastructure.

More can and will be done. Key projects under development include new facilities for the Red Cross, a community care facility in Murray Harbour, repairs to the dune sys-

tem at the historic West Point Lighthouse, infrastructure support for ambulance services in Tignish capital improvements to the Cymbria Lions Club, and projects to enhance economic development in Souris.

In addition, Madam Speaker, early in our mandate, Government heard from community organizations the desire to take greater control over their economic development. Government listened, and responded with the *Community Development Equity Tax Credit Act*, passed last fall. The program, to be launched this summer, will provide Islanders with non-refundable tax credits of 35 per cent on up to $20,000 invested in eligible businesses, that can be applied against PEI income tax.

And Madame Speaker, through the Rural Jobs Initiative we have been able to support 350 community based businesses and employ 450 Islanders province-wide. The Community Internship Program has provided further assistance to over 100 of our valued non-profit and community organizations – while offering meaningful, skilled employment opportunities to almost 140 Island young people.

Community development requires strong local leadership. Since 2007 we have worked closely with our Municipal Governments, and through changes to municipal funding programs we have increased overall funding from $20.6 million to $23.2 million, a 12.6 per cent increase.

As well, Government eliminated the property tax collection charge, saving municipalities more than $800,000 annually, totalling over $3.2 million in the last four years. We replaced the quarterly transfer of revenues to municipalities with a monthly transfer system, saving municipalities more than $2 million in interest costs over the last four years.

And, Madame Speaker, I am pleased to confirm that, as committed in Budget 2010, municipal grant funding will increase by 1 per cent this year.

Immigration

Madame Speaker, newcomers are playing a valued and increasingly important role in our society and economy. In 2006, the Island welcomed 565 newcomers. By 2009, that number had grown sharply to almost two thousand, and remained strong enough in 2010 to make Prince Edward Island a leader among Canadian provinces in immigration and in population growth.

Recently we have announced a new Settlement Strategy and released detail for a new Provincial Nominee Program. Bringing newcomers together with Island businesses, such as was recently demonstrated in the successful PEI Chinese Business Summit will greatly assist our overall objective of strengthening our future through our greatest resource ... people.

Moving Forward Together ... To Restore Fiscal Balance

Madame Speaker, a strong and growing economy is a key component to Government being able to provide necessary services and return to a balanced budget. But from a fiscal perspective, we also must look to expenditure measures if we are to meet our end goals.

Over the last four years, Madame Speaker, we have worked together on many fronts to build One Island Community, united and strong. That work will serve us well as we face the opportunities and challenges that lie ahead.

Madame Speaker, to restore fiscal balance, revenue growth must exceed expenditure growth. In the past fiscal year, revenues grew by 2.8 per cent, while expenses were up by 0.6 per cent. In the coming fiscal year revenues are projected to grow by 1.9 per cent and expenditures by 1 per cent overall.

During this time, Madame Speaker, we have maintained our commitment to health, education and post secondary learning. During these two years, these priority areas have grown by over 8 per cent, while the rest of Government has contracted by just over 5 per cent in order to restore fiscal balance.

These reductions have not always been easy, and I commend our professional public servants for their ability to manage in times of restraint. Their work has been essential to Government's success in providing much needed services to Islanders while beginning to systematically reduce our costs. We have been able to achieve all of this without resorting to layoffs of our valued employees – and we will continue on this track.

In the coming year, Government will identify savings that can be reinvested in our priority areas. To this end, Madame Speaker, we have set a commitment of $5 million in savings through Economy Measures identified in this Budget.

This is a modest and appropriate budget that will help us continue the significant gains we are making to build a stronger society and a more competitive economy

Firstly, Madame Speaker, all Islanders, businesses and organizations have benefited from lower electricity rates made possible by our recently announced PEI Energy Accord. Government is no different, and I am pleased to announce that in our Government facilities, our public schools, our post-secondary institutions, and our hospitals and manors, we have booked over $1.5 million in savings in the coming year, all of which are now reflected in our line item accounts.

In addition to lower energy costs, other measures will be taken to achieve the $5 million target for our Economy Measures.

With the PEI Energy Accord, we have saved taxpayers over $1.5 million in energy costs for public facilities like schools, hospitals and manors

The Rural Broadband Agreement brought an essential service to all Islanders and is saving taxpayers half a million dollars in telecommunications costs this year

- Through the Rural Broadband agreement with Aliant, Government was not only able to bring a much needed essential service to all Islanders throughout PEI – but we were also able to reduce our telecommunications costs. This measure alone will save taxpayers almost $500,000 in the coming year.

- We will continue to examine our information technology services and direct savings in this area toward the overall goal.

- Madame Speaker, an aging workforce creates the opportunity to redeploy our salary resources in new ways. Through a new vacancy management process, we are confident we can realize further savings by examining options as to how these resources can best be deployed.

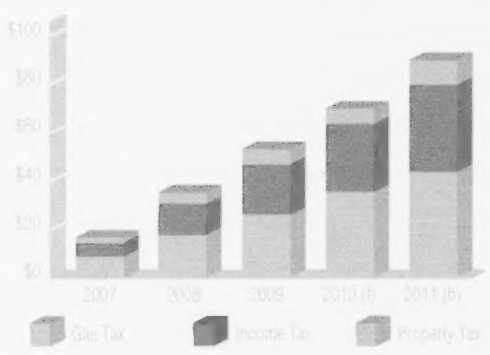
- Madame Speaker, the previous administration recognized, through the establishment of a centralized IT Shared Services, that service delivery design could achieve savings. Building on this work, Government will examine the feasibility of expanding a shared services model to include other corporate services functions such as Finance, Administration and Human Resource management.

- Finally, Madame Speaker, the Atlantic Ministers of Finance recently met, and we agreed to actively embark upon new and expanded regional procurement approaches across all of Government. The savings from these efforts will also support achieving our Economy Measures budget target.

Revenue Measures

Madame Speaker, tax fairness for Islanders was a priority for Government when we came to office. Since 2007 Islanders have benefitted from lower taxes on gasoline, personal incomes and residential property. Including the current fiscal year, our tax fairness plan will save Islanders $44 million at the gas pumps through the 4.4 cent per litre reduction in the Gas Tax; a further $36.1 million in lower Personal Income Taxes and an additional $9.9 million from the freeze on owner-occupied residential property assessments. Madam Speaker, these savings total $90 million for Islanders and their families since 2007.

Cumulative Tax Fairness Savings 2007 - 2011



For this budget, Madame Speaker we will hold the line on most taxes and focus our revenue measures in two areas. At midnight tonight, the tax on a carton of 200 cigarettes will rise by $5.90. The tax on 200 grams of fine cut tobacco will rise by $6.58. The increased taxes on tobacco products are expected to raise approximately $4.8 million annually to support public expenditures in health care. We will increase liquor prices, generating a further $5 million in revenues. These measures, Madame Speaker, will bring our prices more in line with the rest of the region.

We have saved Islanders $44 million at the pumps with the reduction in the gas tax

Moving Forward Together

Madame Speaker, while the path to balanced budgets involves a collective and concerted effort on the part of many, it is a path that can only be achieved through one simple outcome: growth in revenues must exceed growth in expenditures.

In 2008, we faced the reality of a global recession, and as a compassionate and responsible Government, we understood that stimulating the economy was more important than balancing the books.

We will restore fiscal balance by continuing to grow revenues by almost 2 per cent while holding expenditures at 1 per cent

In 2010, we moved out of recession – but now we are having to contend with little or no growth in core federal transfers. Despite these challenges, Madame Speaker, in 2010 we began on a path toward restored fiscal balance. We will continue on that path in the coming year, holding our expenditure growth to 1 per cent while growing our revenues by almost 2 per cent.

We will achieve fiscal balance Madame Speaker – and we will do it in a transparent and open manner – as demonstrated by our historic commitments to have Government's finances fully reported prior to Election Day. In August of this year, the Auditor General will provide his opinion on the Public Accounts, verifying the Province's financial position.

We will restore fiscal balance in a way that is sensible, fair and reflects the priorities that Islanders so richly deserve – moving forward together, to strengthen our Province, meeting today's needs, while building for tomorrow...

One Island Community ... One Island Future.

Thank you.

Notes

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